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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/17/06

Index:

- 1) Top headlines
 - 2) Editorials
 - 3) Prime Minister's daily schedule
 - 4) Prime Minister Koizumi positive about accepting President Bush's invitation to visit US, relayed by Ambassador Schieffer
- Diet uproar:
- 5) Furor in Diet over Minshuto allegation that LDP Secretary General Takebe's son took 30 million yen last August from Livedoor's Horie, now under arrest
 - 6) Prime Minister calls the charges against Takebe's son a sham
 - 7) Livedoor money poured into company at one time from Swiss holdings
 - 8) Opposition plans all out attack in Diet today on allegations against Takebe's son of taking Horie money
 - 9) Abe, Aso in yesterday's day are cautious in replying to questions about war responsibility
- China policy:
- 10) Foreign Ministry to establish in April a China strategy body
 - 11) Minshuto (Democratic Party of Japan) struggling internally to coordinate a unified China policy, given party head Maehara's labeling China a threat
 - 12) Government, ruling parties want tough line toward North Korea but Koizumi would cut it some slack

Defense issues:

- 13) GSDF in final coordination of withdrawal from Iraq starting next month
- 14) Japanese troops desire to withdraw from Iraq before new administration there fully in place
- 15) Okinawa LDP lawmakers object to US-Japan agreement on Henoko relocation plan
- 16) Plan to cut public works in terms of GDP to levels in US, Europe
- 17) US removes approval to one beef export company that failed to meet standard for shipping to Japan

Articles:

1) TOP HEADLINES

Asahi:

Employees of general contractors tell prosecutors Defense Facilities Administration Agency official leaked project price over runway construction at US Iwakuni base

Mainichi:

Former DFAA officials admit agency changed methods to facilitate bid-rigging ahead of 2002 law

Yomiuri:

Shoddy construction of highway in Toyama Prefecture; smaller-than-normal piles built to support two piers of the expressway bridge

Nihon Keizai:

TOKYO 00000864 002 OF 013

Finance Ministry mulling GDP-based target to slash public works spending

Sankei:

Classified government document reveals government's informal panel proposed two years ago that females and their descendants be allowed to ascend to the Chrysanthemum Throne

Tokyo Shimbun:

Livedoor Co. sent 12 billion yen from account in another person's name at bank in Switzerland to its affiliate's account at major bank in Japan the day it was raided

2) EDITORIALS

Asahi:

- (1) Government should provide peaceful life for Japanese women left behind in China as children during the war
- (2) Challenge of FRB Chairman Bernake

Mainichi:

- (1) SDF mission in Samawah should be pulled out before summer
- (2) Kobe Airport is not just a business model for airport construction

Yomiuri:

- (1) Government must come up with strategy for maritime policy
- (2) Is latest export scandal tied to nuclear black market?

Nihon Keizai:

- (1) New FRB chairman stresses "continuity" of monetary policy
- (2) Internet providers should not forget free and open Internet principle

Sankei:

- (1) National debate should be begun with clean state on the question of whether to revise the Imperial House Law
- (2) China's Internet restrictions: We see information censorship

Tokyo Shimbun:

- (1) Solicitation for unlisted shares: We should be careful about

such

(2) Revival of Nihonbashi: Let's have dream to build a new Nihonbashi

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 16

NIHON KEIZAI (Page 2) (Full)
February 17, 2006

10:01

Arrived at the Prime Minister's Official Residence (Kantei).

14:05

Met with LDP Public Relations Headquarters Chairman Kimura and Public Relations Division chief Ishizaki. Then met with American Ambassador to Japan Schieffer.

15:15

Met with LDP Secretary General Takebe.

TOKYO 00000864 003 OF 013

16:04

Met with Deputy Chief Cabinet Secretary Futahashi.

17:26

Met with State Minister in charge of Economic, Fiscal, and Financial Policy Yosano.

18:31

Met with five LDP senior officers, including Takebe, and members of the Executive Council at Hotel Okura. Chief Cabinet Secretary Abe was present.

19:57

Arrived at official residence.

4) Koizumi willing to visit US

TOKYO SHIMBUN (Page 2) (Full)
February 17, 2006

Prime Minister Koizumi met with US Ambassador to Japan Schieffer at his office yesterday afternoon. In the meeting, Schieffer invited Koizumi to visit the United States. "I'd like to, if circumstances permit," Koizumi told reporters yesterday evening. "I appreciate it," he added. With this, the premier was willing to visit the United States before he steps down in September. He avoided clarifying when to visit the United States because of parliamentary schedules and other circumstances.

In the meeting, they did not talk about US military realignment issues, such as the relocation of Futenma airfield, or the issue of resuming US beef imports.

5) On alleged transfer of money by Horie to Takebe's son, Minshuto member releases no copy of e-mail in question but indicates confidence of authenticity

MAINICHI (Page 2) (Excerpts)
February 18, 2006

In a House of Representatives Budget Committee meeting on Feb. 16, Democratic Party of Japan (Minshuto) member Hisayasu Nagata said: "Former Livedoor President Takafumi Horie, 33, instructed a company employee last August to transfer 30 million yen to the second son of Liberal Democratic Party Secretary General Tsutomu Takebe." The instruction was given by e-mail, according to Nagata. He claimed that he had a copy of the e-mail in question. If the allegation is proved true, the issue will unavoidably have a great effect on whether Takebe would have to resign. As of now, Nagata has not released the copy of the e-mail itself, citing the need to protect the identity of the information source. Over the authenticity of the e-mail, heated debate is going on between the

ruling and opposition parties in the Diet.

In pursuing this issue, Minshuto has focused its attention on the linkage of Takebe's support of independent candidate Horie, who has been indicted for a violation of the Security and Exchange Law, in the Lower House election last year to the alleged transfer of 30 million yen to Takebe's second son. The e-mail, according to Nagata, also said that the 30 million yen should be listed in the company's account book as "consulting fee for

TOKYO 00000864 004 OF 013

election campaigning."

However, it has yet to be fully confirmed whether the e-mail actually contained Horie's instruction. Although Nagata has not released any material evidence, Nagata is confident about the authenticity of the information.

Nagata released to reporters a reproduction of the e-mail's contents that include neither the e-mail address nor the sender. Nagata said that "the e-mail was sent out at 15:21,35 on Aug. 26 in 2005," adding that he has confirmed who had sent the e-mail and who had received it.

Nagata read in the meeting on Feb. 16 the following contents of the e-mail from Horie:

Make arrangements to transfer 30 million yen into a bank account (the same account as in the previous case) for Mr. A (the name of Takebe's second son) by Aug. 29, if possible, but by Aug. 31 at the latest.

The money should be listed in the company's account book as "consulting fee for campaigning."

Mr. B, ask for Mr. Miyauchi's instruction. I will convey this to Mr. C.

Horie

Takebe's second son remains mum on alleged recipient of Horie money

Although the Mainichi Shimbun has asked the second son of Liberal Democratic Party Secretary General Tsutomu Takebe to respond to its interview three times since Jan. 25, he remains unresponsive. On Feb. 16, about 20 reporters swarmed in front of the condominium that houses the company "Lifelong" operated by the son of Takebe, located in Minami-Aoyama, Tokyo. A male staff member told reporters: "He is now in Europe on business. He will not be back until next week."

Takebe office: There is no transfer record in account

Members of Liberal Democratic Party (LDP) Secretary General Tsutomu Takebe's office yesterday explained that although they

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checked the bank accounts related to Takebe's second son, they found no record of transfer from former Livedoor President Takafumi Horie. Takebe intends to present the LDP president of the House of Representatives Budget Committee with the records of the bank accounts and refute the Democratic Party of Japan's allegation.

Tokyo prosecutors' office issues unprecedented comment: "We haven't gotten facts"

On the allegation that the second son of Liberal Democratic Party Secretary General Tsutomu Takebe would have received money from

SIPDIS

former Livedoor President Takafumi Horie, Tetsuo Ito, assistant public prosecutor of the Tokyo District Public Prosecutors Office, issued a written comment yesterday noting: "Regarding the question of whether the e-mail in question actually exists and

what was pointed out is true, our office has not received any

TOKYO 00000864 005 OF 013

facts." It is unprecedented for prosecutors' office to issue this kind of comment while an investigation still going on.

6) Prime Minister Koizumi: Allegation that LDP's Takebe's son received 30 million yen from Livedoor "is false information"

TOKYO SHIMBUN (Page 1) (Full)
February 17, 2006

At a House of Representatives Budget Committee session yesterday, a lawmaker from the main opposition party Minshuto (Democratic Party of Japan) revealed that former Livedoor President Takafumi Horie instructed his subordinate to transfer 30 million yen as a consulting fee to the bank account of the second son of Liberal Democratic Party (LDP) Secretary General Tsutomu Takebe. With this regard, Prime Minister Junichiro Koizumi last night told reporters at the Prime Minister's Official Residence, "I think it's wrong to bring a groundless matter to a committee session."

Koizumi met yesterday afternoon with Takebe at his office. In the meeting, Takebe told the prime minister:

"What a Minshuto member pointed out was totally groundless. I cannot understand why the Minshuto lawmaker brought up a complete fabrication. Time will tell that what he pointed out was groundless."

7) Livedoor Co. when searched sent 12 billion yen from account in another person's name at foreign bank to Livedoor-affiliated account at major bank in Japan

TOKYO SHIMBUN (Top Play) (Lead Para.)
February 17, 2006

It has been learned that Livedoor Corp. sent about 12 billion yen from its account in another person's name at a bank in Switzerland to its affiliate's account at a leading Japanese bank on Jan. 16 when the company was searched by the special investigation squad of the Tokyo Public Prosecutors Office on suspicion of violating the Securities and Exchange Law. The existence of the account in another person's of the Swiss bank has been known since it was used by former Livedoor President Takafumi Horie, 33, and other company's executives, who have been indicted for violating the securities law, when they sent to it profit on sale of the company's own stocks conducted the behind scenes of corporate acquisition. Tokyo prosecutors along with the Securities and Exchange Surveillance Commission seem to be investigating the flow of huge remittances and where such money belongs

8) Lower House to intensively deliberate Livedoor scandal today; Minshuto determined to continue pursuing money remittance by e-mail

ASAHI (Page 1) (Full)
February 17, 2006

The House of Representatives Budget Committee will conduct intensive deliberations on the Livedoor scandal today. In yesterday's session, Minshuto (Democratic Party of Japan) lawmaker Yasuhisa Nagata charged that former Livedoor Co. President Takafumi Horie had instructed his company to send 30

TOKYO 00000864 006 OF 013

million yen to the second son of Liberal Democratic Party Secretary General Tsutomu Takebe prior to the official campaign

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began for the Sept. 11, 2005 Lower House election. Horie has been indicted for alleged violation of the Security and Exchanges Law. Takebe denied the allegation. Minshuto plans to continue pursuing

the relationship between Takebe and Horie and demand Takebe and his son be summoned to the Diet as unsworn witnesses.

Minshuto President Seiji Maehara said before the party's Lower House members yesterday:

"As soon as we obtained (the information), we judged it to be highly credible. We are going to pursue the aptitude of Mr. Takebe as secretary general and the responsibility of Prime Minister Koizumi, who has appointed Takebe as secretary general."

According to Minshuto, the party has conducted a follow-up investigation into the information obtained by Nagata about 10 days ago. Nagata told a press conference yesterday:

"Ethically speaking, if a family member extremely close (to Mr. Takebe) had received black money from Horie, that would be extremely grave politically."

Meanwhile, an LDP Budget Committee director presented to a Minshuto director seven questions urging Nagata to verify facts. Takebe is considering responses, such as submitting to the Budget Committee board of directors a letter denying the alleged transfer of the money.

Diet Affairs Committee Chairman Hiroyuki Hosoda emphatically said to reporters: "Secretary General Takebe has expressly denied the allegation. Mr. Nagata must prove the authenticity of the e-mail."

Another committee member said, "Libel deserves more than a light punishment."

But some LDP members expressed concern. General Council Chairman Fumio Kyuma said, "The whole thing seems too sophisticated for a lie." A mid-level member noted, "If the information was authentic, it would turn the LDP upside down."

Koizumi: Minshuto's allegation groundless

Prime Minister Koizumi refuted yesterday Minshuto member Yasuhisa Nagata's allegation, saying: "It is not proper for a Minshuto lawmaker to bring up a groundless matter at a public venue. It is also absurd for a committee to take up a matter based on bogus information." Koizumi was responding to a question from a reporter at his official residence.

Tokyo District Public Prosecutors Office does not know the existence of the e-mail

Tokyo District Public Prosecutors Office Deputy Chief Prosecutor Tetsuo Ito released a statement yesterday saying, "This office does not know if such an e-mail exists or the allegations are true."

9) Abe, Aso cautious about making replies at Diet committee session; Questions focused on historical views

TOKYO 00000864 007 OF 013

YOMIURI (Page 4) (Excerpts)
February 17, 2006

Chief Cabinet Secretary Abe and Foreign Minister Aso, both viewed as post-Koizumi candidates, have come under a heavy questioning about their historical perceptions of World War II at the Lower House Budget Committee. They yesterday remained cautious in their answers without departing from government views, but subtle differences are detectable in the nuances.

In yesterday's committee session, following former party head Katsuya Okada on Feb. 14, Ryuzo Sasaki of the Democratic Party of Japan (Minshuto) took the floor and grilled Abe and Aso on their historical perceptions.

Their answers to the question of whether the war was one of

aggression drew much attention.

The so-called Murayama statement released (by the Murayama government) in August 1995 used the word "aggression" to describe the war. Since then the government, including the current one led by Koizumi, has used the same historical perception. But there is a deep-seated criticism in the Liberal Democratic Party (LDP) of using the word, aggression.

Yesterday, Abe and Aso quoted the Murayama statement and underlined that as a cabinet member, they sided with the government view.

In answering the question, Abe did not use the word "aggression." He stated: "How to define the war is not the government's job. Isn't it a wise policy to wait for historians to judge it?" Aso pointed out, "Even (General Headquarters General) McArthur once acknowledged that it's difficult to describe the war as one of aggression in every aspect," indicating that there are various views of the war.

Both cabinet members appeared to be trying in their respective expressions to highlight the LDP's identity as post-Koizumi candidates.

Besides answering questions about the Tokyo War Crimes Tribunal (Tokyo Trials), Abe and Aso presented their respective views, keeping in mind Japan's position of having accepted the decisions by Tokyo Trials.

Aso cited former Foreign Minister Mamoru Shigemitsu, one of the Class-A war criminals, who, after the war, was awarded the first class medal, to unfold his pet argument, noting: "They were not punished in accordance with Japan's domestic laws. Under Japanese law, they were not viewed as war criminals." Meanwhile, Abe stated: "They were punished by the Allies. Weren't they forced to take responsibilities?"

Replies by Chief Cabinet Secretary Abe and Foreign Minister Aso at yesterday's Lower House Budget Committee session

- 1. Perception of the war
- 2. Tokyo Trials/war criminals
- 3. War responsibility

TOKYO 00000864 008 OF 013

Abe

- 1. How to define a war of aggression is an academic question. It's not appropriate for politicians or administration officials to play the role of judge and offer a judgment.
- 2. War criminals were classified into Class A, Class B and Class C categories and punished. Some 1,000 persons were sentenced to death. Even Class-A war criminals were not found guilty for crimes against humanity.
- 3. The leaders were responsible for the war. But Class-B and Class-C war criminals were not responsible to the nation.

Aso

- 1. On the question of aggression or self-defense, (GHQ General) McArthur, too, acknowledged that it's difficult to call the war one of aggression.
- 2. (Lawyer) Ichiro Kiyose said the validity were questionable. It's true Japan accepted the court decisions, but under Japanese law, they were not war criminals.
- 3. Those who decided to go to war ought to take responsibility. It's not easy to single out someone as a person to blame.

10) MOFA plans strategic organization to deal with China; Japan-China Economic Affairs Office to be established in April; Strengthening measures on intellectual property rights eyed

NIHON KEIZAI (Page 1) (Full)
February 17, 2006

The Ministry of Foreign Affairs (MOFA) has decided to set up a

Japan-China Economic Affairs Office within the ministry in April, a special organization that will be responsible for economic talks with China and mapping out an economic strategy toward it. In view of the present situation, in which bilateral economic exchanges are deepening, as can be seen in the fact that China in 2004 became Japan's largest trade partner, overtaking the US, MOFA will strengthen its macroeconomic analysis of the Chinese economy and handle intellectual property rights issues, starting with the sales of pirated or fake products by that nation.

The planned office will be established within the Asia-Oceania Affairs Bureau with about five officials assigned to it. At present, about 30 officials of the Chinese Affairs Division of that bureau are responsible for both economic and political issues with China. However, with an eye on the future of the fast-growing Chinese economy, MOFA will make this group an independent entity responsible for economic affairs with that nation, by involving officials of the Economic Affairs Bureau, which is in charge of trade affairs.

A budgetary measure for the planned reorganization has already been earmarked in the fiscal 2006 draft budget. The plan is to upgrade the office to a division like the North American Affairs Bureau, where the First North America Division and the Second North America Division are respectively responsible for political and economic issues with the US.

Because of Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine, relations with China remain strained, as can be seen in the suspension of mutual visits by the leaders of the two countries.

It has been said that bilateral relations had been cold

TOKYO 00000864 009 OF 013

politically but hot economically, but now there is widespread concern that the relations might become cold politically and cool economically. The Japan-China Economic Affairs Office is also intended to hold the impact of political issues on the economy to a minimum, by separating politics from economic issues.

Japan's trade with China, combining both imports and exports, totaled approximately 24.9 trillion yen in 2005. China remained Japan's largest trade partner, as it was in 2004.

Japan mainly exports electric equipment and machine tools to China and imports mechanical components and textiles. The government aims to sign a free trade agreement with that nation in 2010. If realized, trade with China will further increase.

Pirated CDs and fake products are commonplace in China. Japanese companies are suffering serious damage from the infringement of intellectual property rights by China. The number of such cases reached about 1,800 in 2005, up about 50% from the preceding year.

11) Minshuto finding it difficult to coordinate internal party position on "China as threat" due to strong objections to use of such an expression

SANKEI (Page 5) (Excerpt)
February 17, 2006

In a meeting yesterday of Minshuto (Democratic Party of Japan) foreign and security affairs council, Akihisa Nagashima, who is the defense minister in the party's shadow cabinet, orally presented the party's draft views on China: "The rapid modernization of its military power has made the (Japanese) public feel its is a practical threat." He reached the judgment that position China as a "threat" in issuing pragmatic policies in the foreign and security affairs areas was unavoidable. However, there is a deep-seated objection to that view in the party, so it is not clear whether party head Maehara can bring views together.

12) Government, ruling coalition pressuring North Korea via monitoring of dealings and preparing bill for human rights; Prime

minister still cautious

YOMIURI (Page 4) (Excerpts)
February 17, 2006

The move to pressure North Korea is growing in the government and the ruling parties given that there appears to be little prospects of resolving the abduction issue via dialogue with that country. Prime Minister Koizumi, however, remains cautious about taking tough steps, so the government and the ruling coalition have yet to chart a strategy toward North Korea.

Meeting the press yesterday, Chief Cabinet Secretary Abe urged North Korea to concede, noting: "The only way for North Korea to be accepted by the international community is to return to the six-party talks unconditionally and resolve the Japanese abductees issue."

When asked by reporters to come up with a message for North Korean leader Kim Jong who has just turned 64, Abe said sarcastically: "Well, it's his birthday, so 'Happy birthday Mr.

TOKYO 00000864 010 OF 013

Kim Jong Il.'"

In reference to the lack of progress on the abduction issue in the recent round of Japan-North Korea talks on Feb. 4-8, Abe has noted: "It has become clear that pressure is necessary to resolve the issue." He already instructed ministries and agencies to step up such measures as monitoring financial transactions with North Korea and reviewing tax breaks now applied to the fixed-asset tax on facilities affiliated with the pro-Pyongyang General Association of Korean Residents in Japan (Chosen Soren or Chongryun).

The Experts Council on the Abduction Issue, chaired by Deputy Chief Cabinet Secretary Suzuki, met yesterday and confirmed that it would discuss "pressure" measures.

The United States has imposed financial sanctions on North Korea over its money laundering. Abe and other government officials have judged it necessary for Japan and the US to work together to pressure the North to compromise.

Behind their judgment is perhaps the growing call from family members of abductees urging the government to take a resolute attitude toward North Korea.

Meanwhile, the Liberal Democratic Party's task force on the abduction issue yesterday gave approval to an outline of a bill on human rights in North Korea. According to the bill, if Japan decides that human rights abuses are not improved in North Korea, the government is obligated to impose economic sanctions on that country. This bill is aimed at boosting Abe's popularity.

However, Prime Minister Koizumi continues to prioritize dialogue over pressure. Some are therefore pointing out a "split" between Koizumi and Abe over North Korea policy.

13) Japan to begin Iraq troop pullout in late March

YOMIURI (Page 1) (Full)
February 17, 2006

The government yesterday revealed a plan to withdraw Ground Self-Defense Force troops currently deployed in the southern Iraqi city of Samawah where they have been engaged in reconstruction assistance activities. According to the plan, the GSDF will begin to withdraw its Samawah-based detachment of about 600 troops in late March. They will move to Kuwait in May and will return home in July. In late March, the GSDF will send a support group of about 100 troops to Kuwait and about 10 to Samawah. The Air Self-Defense Force will remain on airlift missions for the multinational force after the GSDF's pullout.

The government has sent Foreign Ministry and Defense Agency

officials to the United States, Britain, and Australia to explain the withdrawal plan. Working-level officials from Japan, the United States, Britain, and Australia will meet in London around Feb. 24 for final coordination.

The GSDF will take about two months to complete its pullout and enter Kuwait to join the support group. In Kuwait, the GSDF will take two more months or so to pack and wash equipment, including vehicles, to be quarantined.

TOKYO 00000864 011 OF 013

14) Commentary: GSDF Iraq pullout likely even before new gov't starts

YOMIURI (Page 4) (Abridged)
February 17, 2006

The government has now decided to withdraw Ground Self-Defense Force troops currently deployed in the southern Iraqi city of Samawah. Meanwhile, however, there is still no knowing when Iraq will launch a permanent government. This remains a fluid factor regarding the pullout of the GSDF contingent. The government wants to begin a withdrawal after obtaining the new government's consent. But in case the new government's inauguration is substantially delayed, Japan is also looking into the possibility of beginning a withdrawal before that from the perspective of ensuring the safety of GSDF members.

"We still don't know whether the GSDF will pull out before a new government is launched or whether the new government will be launched first," a senior official of the Foreign Ministry said yesterday. "But they could come under terrorist attack when pulling out, so we can't ignore the British military's moves," the official added.

British and Australian forces have been tasked with public security in Samawah. The British government has already told other countries that the British military would begin to pull out in March and would like to complete its pullout in May. Australia has implied the possibility of extending its troop deployment. However, the Foreign Ministry official's remarks suggest that it would be better to withdraw the GSDF troops along with the British military's scheduled pullout, when considering their safety.

15) Okinawa lawmakers opposed to Japan-US agreement on Futenma relocation, call for changes to Henoko plan

TOKYO SHIMBUN (Page 2) (Full)
February 17, 2006

The ruling Liberal Democratic Party yesterday held a joint meeting of its panels on Japan-US security affairs and base realignment issues, with Taku Yamasaki presiding. In the meeting, LDP lawmakers elected from Okinawa Prefecture raised objections to the recent agreement between Japan and the United States to relocate the US military's Futenma airfield to a coastal area of Henoko in the island prefecture's northern coastal city of Nago, and they called for changes to the plan.

The Okinawa lawmakers called for the government to build an alternative base in an area south of the shore of Henoko. "Even if the government tries to push ahead with the Futenma relocation to the coastal area, local communities won't agree," Kozaburo Nishime, a member of the House of Representatives, said. Chiken Kakazu, a member of the House of Representatives, also stressed, "If the government pushes for it, we will be driven into a corner."

In the meeting, Kazuo Ofuru, director general of the Defense Policy Bureau at the Defense Agency, explained that the Japanese and US governments agreed on the coastal plan in view of various

TOKYO 00000864 012 OF 013

factors, such as possible impacts on the living environment and nature. The defense official clarified that the agency would not alter the agreed plan. However, Okinawa lawmakers voiced their anger, with one of them implying that all of Okinawa's population would cry out against the coastal plan.

16) Public works; Finance Ministry considering cutback in ratio to GDP to constrain amount to level on par with European and American nations

NIHON KEIZAI (Top Play) (Excerpts)
February 17, 2006

In an effort to constrain public works spending, the Ministry of Finance (MOF) has started looking into the possibility of setting a new numerical target, using gross domestic product (GDP) as a benchmark. Allocations for government-sponsored public works in the fiscal 2006 general-account draft budget stand at approximately 7.2 trillion yen, achieving the Koizumi administration's target of reducing the amount of such works to the fiscal 1990 level. MOF views that a further constraint on public works, also including those carried out by local governments, would be imperative to bring about sound finances. A plan to constrain public works to about 1% of GDP, one-third of the present level and on a par with the other industrialized countries, has been floated.

Proposal for cutting public works to one-third of present level also made

MOF wants to include the new numerical target in a roadmap for a package reform of expenditures and revenues, which the government will compile in June. Coordination of views with other government agencies, including the Ministry of Land, Infrastructure, and Transport, has started.

Government-sponsored public works spending in the fiscal 2002 budget, the first budget compiled under the Koizumi administration, was cut 10% from the previous year's level and then continued to drop 3 % -4% a year after that. Allocations in the fiscal 2006 budget were reduced to half of the amount of fiscal 1998 - 14.9 trillion yen. Public works spending peaked in fiscal 1998.

The government has, however, set a target of moving the primary balance into the black by early 2010. Private-sector members of the Council on Economic and Fiscal Policy have calculated that in order to achieve that target without hiking taxes, it would be necessary to cut combined expenditures by the national and local governments by 20 trillion yen. MOF is of the opinion that cutbacks on public works expenditures, the second largest spending item following social security, will be unavoidable, as a senior official put it.

17) US revokes permit of yet another meatpacking facility due to Beef Export Verification violations

ASAHI (Page 12) (Full)
February 17, 2006

The US government has revoked its permit of one of the 38 meatpacking facilities authorized to handle Japan-bound beef, the

TOKYO 00000864 013 OF 013

Agriculture, Forestry and Fisheries Ministry announced yesterday. The facility in question is a plant in Nebraska belonging to Swift and Company, a major meatpacker. The US government's step followed the revelation of Beef Export Verification violations by the facility.

Shortly after Japan decided to lift its ban on US beef in December, the US government authorized 40 facilities to export beef to Japan. But the US government has already delisted two facilities that had shipped beef to Japan without removing the vertebral column, an SRM. A series of revocations of license by

the US government is likely to increase Japanese consumers' distrust in the safety of US beef.

SCHIEFFER